



County of Los Angeles
Department of Public Social Services

*Adm 03-00853
BAS*

Bryce Yokomizo
Director

April 3, 2003

TO: Each Supervisor

Bryce Yokomizo

FROM: Bryce Yokomizo, Director

SUBJECT: **COST/BENEFIT ANALYSIS OF THE ALTERNATIVE PROPOSAL BY
CONTINENTAL CURRENCY SERVICES, INC. TO THE STATEWIDE
ELECTRONIC BENEFIT TRANSFER SYSTEM FOR ISSUING CASH
BENEFITS**

This is in response to your March 4, 2003 Board motion to complete a cost benefit analysis of the alternative proposal by Continental Currency Services, Inc. (CCS), to the Statewide Electronic Benefits Transfer (EBT) system for issuing cash benefits for CalWORKs, General Relief, Cash Assistance Payments for Immigrants (CAPI) and Refugee participants.

Currently, for cash, participants go to the existing 98 outlets to pick up their checks. Over 50 percent cash their checks at those outlets, paying a 1.9 percent check cashing fee plus a 75 cent convenience fee. If your Board decides to use EBT to issue cash benefits, participants would be able to use their EBT cards to obtain cash at over 5,000 locations throughout the County with a low surcharge or surcharge free.

Under the CCS proposal, EBT access would be limited to the existing 98 outlets where participants would receive a money order for the full amount of their grant. Participants who decide to cash the money order at the check casher would pay a one-percent (1%) service charge. They would, however, receive up to three free money orders at the same time. A chart which compares the major areas of functionality between EBT and the CCS alternative proposal is attached.

State Response to CCS Proposal

In determining the cost/benefit of CCS' proposal we contacted the state and were informed by both state agencies involved in the approval process that they will not support or approve the CCS proposal. The California Health and Human Services Agency Data Center (HHSDC) stated that, "for numerous contract, statutory, policy and technical reasons, they will not consider the proposal submitted by CCS."

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- Contract issue - The state's contract for EBT requires that any Point of Sale (POS) or Automated Teller Machine (ATM) acquirer that desires to participate in the EBT system shall be allowed to do so on equal terms with any other acquirer. The state's contract does not allow an exclusive arrangement with a single acquirer to the exclusion of others, as this would be inequitable and contrary to the benefit access goals of EBT.
- Statutory issue - An important goal of EBT is to provide a better and more secure method of benefit access for recipients bringing them closer to mainstream financial services, and providing them with a range of choices. Restricting participants' access to a very small network of issuance outlets does not provide the benefits envisioned in this statute.
- Technical issue - According to the state, the alternative proposal is not technically feasible. The system changes that would be required to implement such a proposal would be extensive, time consuming and extremely costly.

The second letter we received was from the California Department of Social Services (CDSS) that states that they "cannot support or approve the CCS proposal" for the same reasons given by HHSDC. Since the state's EBT system is an integral part of the CCS proposal, state approval is necessary to implement this proposal.

Participation of Outlets in EBT

It is our hope that the check cashing outlets will give further consideration to participating in the Statewide EBT network. Doing so would additionally enhance cash access options for our participants, whom the outlets have served for many years.

My Department will continue to move forward in preparing a cost analysis and recommendation for implementing Statewide EBT for cash benefits.

BY:js

Attachment

c: Executive Officer, Board of Supervisors
Chief Administrative Officer
County Counsel
Treasurer and Tax Collector

COMPARISON OF STATE ELECTRONIC BENEFIT TRANSFER (EBT) SYSTEM AND CONTINENTAL CURRENCY SERVICES, INC (CCS) ALTERNATIVE PROPOSAL

Functionality	State EBT System	CCS Alternative Proposal
Distribution Points	Over 5,000 (per the Cash Access Plan)	98 Each outlet will have multiple service windows (estimated at about 300).
Access Locations within Los Angeles County	<ul style="list-style-type: none"> • ATMs at banks and other locations • Grocery Stores • Retailers • Check Cashers • Post Offices • Other Merchants 	<ul style="list-style-type: none"> • CCS-authorized check cashers
Withdrawal Options	<ul style="list-style-type: none"> • Cash withdrawal at an ATM • POS for merchandise purchase • POS for merchandise purchase with cash back • Cash withdrawal at POS without purchase 	<ul style="list-style-type: none"> • Check casher-issued money order
Full Cash Withdrawal Options	1 to 2 card swipes for most participants.	1 card swipe.
Participant Safely	Varies, some ATMs are outside and present risks.	All access points will be inside Check Cashiers with provided security.
Surcharge	<p>Most participants will be able to withdraw their entire grant with a surcharge between 0% and 0.75%.</p> <p>Currently 31% of the total Countywide capacity is available without a surcharge.</p>	<p>If the participant cashes the money order at the Check Cashier, there will be 1% surcharge that includes up to three free money orders.</p> <p>Unknown cost if the participant cashes the money order elsewhere.</p>
Cost to Los Angeles County	No county share of start up costs; total ongoing costs being determined.	<p>Proposal says that this will be "at no cost to the County." We are awaiting clarification from CCS.</p> <p>Costs of operation include procurement (\$600,000), contract monitoring (\$100,000 annually) and cost to modify the EBT software (which would become NCC if the State did not approve this expenditure).</p>
Emergency Contingency Plan for Cash	Existing Departmental check writing process.	CCS will provide mobile vehicles for issuance.